1. Blair Company experienced an accounting event that affected its financial statements as indicated below:

Which of the following accounting events could have caused these effects on Blair's statements?
A. Paid a cash dividend.
B. Accrued revenue on account.
C. Paid on accounts payable.
D. Accrued salary expense.

Assets

=

Liab.

+

Equity

Rev.

-

Exp.

=

Net Inc.

Cash Flow

NA

+

-

NA

+

-

NA

2. Geary Company paid for 12 months’ rent in advance on October 1. Which of the following shows how the December 31 entry to recognize rent expense affects Geary's financial statements?

 
A. 
B. 
C. 
D. 

3.  On August 1, North Company received an advance from South Company for work to complete over the next 12 months. Which of the following shows how the August 1 entry affects North's financial statements?

 
A. 
B. 
C. 
D. 

4.  On August 1, North Company received an advance from South Company for work to complete over the next 12 months. Which of the following shows how the December 31 adjusting entry affects North's financial statements?

 
A. 
B. 
C. 
D. 

5. Which of the following transactions does **not** involve an accrual?
A. Salary expense incurred but not yet paid.
B. Services provided on account.
C. The purchase of supplies for cash.
D. Interest earned that will be received in the next period.

6. Revenue on account amounted to $15,000. Cash collections of accounts receivable amounted to $13,300. Cash expenses for the period were $10,100. The company paid dividends of $600. Net income for the period was
A. $3,200.
B. $4,900.
C. $2,600.
D. $4,300.

7. Revenue on account amounted to $15,000. Cash collections of accounts receivable amounted to $13,300. Cash expenses for the period were $10,100. The company paid dividends of $600. Cash flow from operating activities for the period was
A. $3,200.
B. $4,900.
C. $2,600.
D. $4,300.

8. Which of the following statements is true in regard to accrual accounting?
A.  Expenses are recorded only when they are paid.
B.  Expenses are only recorded after they are paid.
C.  Revenue is recorded only when cash is received.
D.  Revenue is recorded only in the period when it is earned.

9. Recognition of revenue **may** be accompanied by which of the following?
A. A decrease in a liability.
B. An increase in a liability.
C. A decrease in assets.
D. A. or C.

10.  Spotless Cleaning Company received a cash advance of $9,000 on December 1, 2015 to provide services during the months of December, January, and February. The 2015 year-end adjustment to recognize the partial expiration of the contract will
A. increase assets by $3,000
B. increase equity by $3,000
C. decrease liabilities by $3,000
D. both B and C

11. Shipman Company began 2015 with $200 in its supplies account. During the year, the company purchased $1,400 of supplies on account. The company paid $1,000 on accounts payable by year end. On December 31, 2015, Shipman counted $600 of supplies on hand. Shipman’s financial statements for 2015 would show:
A. $600 of supplies; $1,000 of supplies expense
B. $600 of supplies; $800 of supplies expense
C. $1,000 of supplies; $600 of supplies expense
D. $1,400 of supplies; $1,000 of supplies expense

12. Revenue on account amounted to $9,200. Cash collections of accounts receivable amounted to $8,700. Cash paid for operating expenses was $7,000. The amount of employee salaries accrued at the end of the year was $600. Cash flow from operating activities was
A. $2,200.
B. $1,100.
C. $1,700.
D. None of these.

13. Which of the following would cause net income for the calendar year on the accrual basis to be different than (either higher or lower than) "cash provided by operating activities" on the statement of cash flows?
A. Purchased land for cash on May 1.
B. Accrued salaries expense on December 31.
C. Paid one year’s rent in advance on February 1.
D. Both B and C.

14. Jackson Co. collected a $4,000 cash advance from a customer on November 1, 2015 for work to be performed over a three-month period beginning on that date. If the year-end adjustment is properly recorded, what will be the effect of the adjusting entry on Jackson's 2015 financial statements?
A. Increase assets and decrease liabilities
B. Increase revenues and increase cash
C. Decrease liabilities and increase revenues
D. Both B and C

15. Jasmine Company paid $9,000 for one year’s rent in advance beginning on September 1, 2015. Jasmine’s 2015 income statement would report rent expense, and its December 31, 2015 balance sheet would show prepaid rent, respectively, of
A. $3,000; $6,000
B. $6,000; $6,000
C. $3,000; $9,000
D. $6,000; $9,000

16. Which of the following events would not require an end-of-year adjusting entry?
A. Purchasing supplies for on account on December 1
B.  Providing services on account on April 1
C. Paying for a year’s rent on July 1
D. All of the above would require an end-of-year adjustment

17. At the beginning of 2015, Silverman Company had a $500 balance in its Supplies account. During the year the company paid $3,000 cash for additional supplies. The physical count of supplies on hand at the end of 2015 was $800. Which of the following statements related to Silverman Company’s 2015 transactions is **incorrect**?

A. The account Supplies represents an expense on the income statement.

B. The statement of cash flows for operating activities decreased by $3,000.

C. Net income decreased by $2,700.

D. All of the statements are correct.

18. Which of the following accounts is closed to retained earnings at the end of the accounting period?

A. Unearned revenue

B. Prepaid rent

C. Supplies expense

D. Both A and C

19. During 2015, Garrison Company provided $15,000 of services on account, of which $12,500 was collected by year-end. Garrison provided an additional $7,000 of services for cash. On November 1, Garrison collected $3,000 from a customer for services to be provided over the next six months. What will Garrison report in service revenue on its 2015 income statement and in cash flows from operating activities on its 2015 statement of cash flows?

A. $22,000/$25,000

B. $23,000/$22,500

C. $22,500/$22,500

D. $18,000/$15,500

20. Bristol Company accrued $5,000 of salaries expense on December 31, 2015. On January 10, 2016, the accrued salaries were paid to employees. Which of the following concerning the January 10 event is **incorrect**?

A. Assets will decrease $5,000.

B. Net income will decrease $5,000.

C. Cash flow from operating activities will decrease $5,000.

D. Liabilities will decrease $5,000.